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FM AMEMBASSY MUSCAT
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0036
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RHEHNSC/NSC WASHDC

S E C R E T SECTION 01 OF 04 MUSCAT 000729

SIPDIS

E.O. 12958: DECL: 10/16/2018

TAGS: [PREL](#) [PTER](#) [ECON](#) [ENRG](#) [ETRD](#) [KNNP](#) [KPAL](#) [KTIP](#) [SMIG](#)

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SUBJECT: SCENESETTER FOR THE DEPUTY SECRETARY'S VISIT TO
OMAN

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

Summary

11. (C) Mr. Deputy Secretary: Embassy Muscat and I warmly welcome you to Oman. As one of our oldest friends in the region (the Omanis refer to their relationship with us as "strategic"), the Sultanate remains a trusted U.S. partner. This year marks the 175th anniversary of the U.S.-Oman "Treaty of Amity and Commerce," second oldest in the Middle East and North Africa. Yet, while we enjoy close relations with Oman, we do not see eye-to-eye on all matters, most notably Iran and the sufficiency of local efforts to combat trafficking-in-persons. We also continue to experience roadblocks in implementing the U.S.-Oman Free Trade Agreement. Your visit here will help us to maintain our already strong relationship while increasing opportunities for further cooperation on bilateral and regional issues. In addition, you will be able to express personal thanks to the Sultan for the strong support he has provided to the U.S. throughout the President's term in office.

12. (C) Mr. Deputy Secretary, you will find the Sultan a most engaging interlocutor. Fluent in English, a graduate of Sandhurst and a veteran officer of a British NATO unit in Germany, he is decidedly pro-Western. He may aptly be described as a polymath with wide-ranging interest in and extensive knowledge of political and security matters, history, Islam, sustainable agriculture, education, astronomy, the environment and Western classical music (he plays the pipe organ). At one time, he was a ham radio operator but now reportedly surfs the net for much of his information. He is also an avid reader with well-stocked libraries in all of his palaces. He often begins discussions on a matter unrelated to issues at hand. In keeping with the traditions of Ibadhi Islam and of the Al Sa'id sultans, he has no designated successor. In my one-on-one sessions with him as well as audiences with other senior USG officials, he has been generous with his time, sometimes going as long as an hour and a half. End Summary.

Free Trade Agreement

13. (C) Over two years have passed since the President and the Sultan signed the U.S.-Oman Free Trade Agreement (FTA), but the trade deal has yet to enter into force. Causes for the delay primarily lie with Oman, which, in addition to a shortfall in government resources and coordination, seriously underestimated the amount of legislative, regulatory, technical and administrative work required to fully comply with the Agreement's many provisions. Some senior Omanis, however, complain that nit-picking and continual requests for information by USTR, coupled with perceived shifting demands for changes to Oman's laws and regulations, have hampered Omani progress on the FTA while souring the overall mood in the Cabinet of Ministers towards the trade pact.

¶4. (C) The list of outstanding items needed for FTA implementation has finally been pared down to a single page. Yet disagreements over telecommunication licensing regulations and, to a lesser extent, intellectual property rights legislation, threatens to prevent the FTA from entering into force by the end of the year. To help break this logjam and complete the deal, Ambassador Susan Schwab, U.S. Trade Representative, is coming to Muscat October 24-26.

In order to ensure that the Sultan gives the FTA implementation process a needed final push, and to pave the way for a successful USTR visit, it is essential that you mention that Ambassador Schwab will be arriving in Muscat later this month to help close the FTA and that you hope he will meet with her.

Trafficking in Persons

¶5. (C) The Omani government was incensed over its Tier 3 ranking in the 2008 Trafficking in Persons (TIP) report. As a result, and with the approval of the Sultan, it threatened to reevaluate the entire bilateral relationship between the U.S. and Oman if its ranking were not upgraded. Senior Omanis, the Sultan included, felt betrayed and "stabbed in the back" by the TIP report, in part because they believed political considerations in Washington either motivated the ranking or should have kept Oman off the list of worst offenders. Certain officials also refuse to accept that there may be a TIP problem in Oman to begin with.

¶6. (C) Fortunately, once Oman is taken off Tier 3, the

MUSCAT 00000729 002 OF 004

Sultan and his ministers appear ready to put this uniquely unpleasant chapter in our otherwise strong bilateral relationship behind them. The long delay in announcing the final TIP rankings, however, has unnerved senior Omanis about our intentions on this issue. If the final determinations are not released by the time of your arrival in Muscat, you may be asked to explain the reasons behind this delay.

¶7. (C) While the Omani government has shared its firm intention to take further steps to combat TIP, most notably the adoption of a comprehensive anti-TIP law, it adamantly refuses to agree to any public acknowledgment of a "commitment" to take certain steps in order to remove itself from Tier 3. Omani officials have also said they will not respond to U.S. pressure. Your visit here will allow us to reassure the Omanis of the importance of our bilateral relationship and our commitment to work with them in addressing TIP, while pushing to secure a timeline for passage of anti-TIP legislation and action on other measures.

Oman-Iran Overview

¶8. (C) Devoid of any outstanding territorial claims or other divisive issues, Oman probably enjoys the best relations with Iran of any GCC state. The government in Muscat has long placed a premium on preserving amicable ties with its northern neighbor and is especially careful not to antagonize the regime in Tehran. Omani Minister Responsible for Foreign Affairs Yusef bin Alawi visits Iran on a semi-regular basis; a senior Omani delegation led by the Deputy Prime Minister traveled to Tehran in April 2008 to reciprocate the visit of Iranian President Ahmadinejad to Muscat in May 2007. The Omani police and military maintain open channels of communication with their Iranian counterparts on matters such as the smuggling of illegal migrant workers to Oman through Iranian waters, and Iranians and Omanis invite one another to observe each other's military exercises.

¶9. (C) Despite the value Oman places on keeping good relations with Tehran, it has at the same time been careful

to keep a comfortable distance from its Persian neighbor. Apart from a few subjects, the Oman-Iran relationship has largely been non-substantive with little in the way of meaningful cooperation. Bilateral economic ties and trade remain limited and Oman's security establishment continues to vet Iranian visa applicants with a watchful eye. Oman's strategic relationship still clearly lies with the United States (and the U.K.), and it regularly shares its insights and observations concerning Iran with us. Omani officials also advocate in Tehran for a more conciliatory approach towards the West. Oman's small Shi'a population (less than 5%) has little affiliation with Iran.

¶10. (C) There are indications, however, that both Oman and Iran are proactively trying to strengthen their bilateral relationship. Iran as of late is pushing to bolster ties with Oman through increased tourism, trade and investment and has even attempted to raise the level of mil-mil cooperation.

For its part, the Omani government has given the green light for a growing number of official Iranian visits and has reciprocated with high-level visits to Iran of its own. Fearful of a regional conflict with Iran into which it might be drawn and also perceiving a regime in Tehran emboldened by recent events, Oman may be acting to establish a separate identity from that of the rest of the GCC and to demonstrate that, therefore, Iran has nothing to fear from Oman.

Oman's Quest for Iranian Gas

¶11. (C) A more certain factor in Oman's current approach towards Iran is natural gas. With a major share of its domestic gas production committed to long-term liquefied natural gas (LNG) export contracts, Oman urgently needs large quantities of gas to fuel its ambitious industrial development plans. The government accordingly considers the acquisition of new gas supplies to be a vital national security issue and, after extensive review of alternatives, sees Iran as the only realistic supplier.

¶12. (C) Oman signed a Memorandum of Understanding (MOU) in April 2008 on the joint development of Iran's off-shore Kish gas field and continues difficult and protracted negotiations with Tehran on the terms of a final deal. Oman reportedly is prepared to invest at least seven billion dollars to develop the field and build an undersea pipeline, but is frustrated with unreasonable Iranian demands on gas pricing and other issues. In sharing our concerns over the proposed deal, I

MUSCAT 00000729 003 OF 004

have reminded the Omanis of the unreliability of Iran as an energy supplier, as it could shut off a gas pipeline at any time and for any (or no) reason.

Differing Views on Iran

¶13. (C) Oman's leadership recognizes and shares U.S. concerns about Iran's nuclear activities and the significantly increased instability a nuclear-capable Iran would mean for the region. Omanis are also anxious about Tehran's meddling and trouble-making in other states and its opposition to efforts to end the Israeli-Palestinian conflict. Moreover, the January 2008 incident between Iranian Revolutionary Guard Corps (IRGC) and U.S. naval vessels in the Strait of Hormuz highlighted to Omani officials the vulnerability of this strategic chokepoint to unpredictable Iranian behavior.

¶14. (C) Despite these shared concerns, Oman's views on how to respond to Iranian actions continue to diverge from our own. Senior Omani government officials repeat their advice that sanctions against Iran are counter-productive and only strengthen hard-line attitudes in Tehran. They instead urge us to initiate direct talks with Tehran without preconditions as the best way to mitigate Iranian threats. Leaders in Oman's military and security services, however, including the

Sultan's top security official and advisor, take a more pragmatic and hard-line view about the dangers posed by Iran than their civilian counterparts, who are more apt to downplay Iran's destabilizing activities and to dismiss threatening statements from Iranian officials as just political rhetoric intended for domestic consumption.

Iraq

¶15. (C) The Omani leadership remains concerned with Iraq's future and the possibility that extremist and sectarian violence in Iraq could spill over into other states in the region. Therefore, the Sultan will be interested to hear about your recent trip to Iraq. Though encouraged by the improvement in security in Iraq brought on in part by the U.S. troop surge, Omani government officials continue to harbor doubts about the reliability of Iraq's leadership and whether it can effectively control the country. Senior Omanis also have concerns about Iraqi Prime Minister Maliki's interest in and capability of pursuing reconciliation with Sunni leaders, which they see as critical to ending the violence in Iraq. The Sultan and his senior military officers back a continued U.S. military presence in Iraq until security is established and Iraqi forces and police are able to preserve stability.

¶16. (S) Sultan Qaboos told me this spring that he recognizes that Oman and other Arab states should "do more" to support the Iraqi government, although he declined to re-open Oman's embassy in Baghdad due to security concerns. (Note: Senior MFA officials continue to rebuff our requests to establish a diplomatic presence in Baghdad or name an ambassador to Iraq, although they insist this is due solely to security, versus political, reasons. Iraq maintains an embassy and resident ambassador in Muscat. End Note.) In accordance with the Sultan's stance, a senior Omani economic delegation staged a three-day visit to Baghdad from June 29-July 1. You may wish to raise again the need for an Omani diplomatic mission in Iraq.

Middle East Peace

¶17. (C) The Omani government remains a quiet supporter of efforts to peacefully resolve the Israeli-Palestinian conflict based on the President's two-state vision. Oman endorsed and participated at the ministerial level in the November 2007 Annapolis Conference to promote Middle East peace; both Minister Responsible for Foreign Affairs Yusef bin Alawi and MFA Secretary General Sayyid Badr al-Busaidi remain in periodic contact with Israeli officials. Bin Alawi most recently met publicly with Israeli Foreign Minister Livni in April 2008 in Doha. However, Omani officials, and bin Alawi in particular, are currently very pessimistic about the possibility of the two sides striking a deal by the end of the year. They fault the U.S. for not applying sufficient pressure on Israel, but most especially Israel for failing to take meaningful action on settlements and offer genuine concessions to the Palestinians. However, they also recognize that Palestinian political disunity is also to blame for the lack of progress. More recently, the Foreign Minister has complained to me about the lack of information about the status of the current Israeli-Palestinian

MUSCAT 00000729 004 OF 004

negotiations. A brief update on the status of negotiations may help counter this negative mood.

Bilateral Security Relationship

¶18. (S) U.S. security and military cooperation with Oman is strong. The U.S.-Oman Base Access Agreement (BAA), first signed in 1980, remains the cornerstone of our bilateral security relationship, and Oman has supported virtually all

access, basing and over-flight requests we have made. The BAA is up for renewal in 2010. The U.S. will ask to expand its scope to include the growing Port of Sohar in northern Oman, as well as the new al-Musanah airbase (close to Sohar) to help compensate for the phased closure of military facilities at Muscat International Airport (MIA). In addition, we will probably have to address Oman's unwillingness to accept our aircraft carriers and nuclear submarines.

¶19. (S) Oman's long coastline and relatively open borders in some inland areas remain vulnerable to smugglers, drug traffickers, and terrorists. At present, we are aware of less than a dozen Omani foreign fighters who have gone or attempted to go to Iraq. Border control accordingly continues to be one of Oman's top priorities and a major area of bilateral cooperation with the U.S. The Royal Oman Police Coast Guard regularly detains smugglers and illegal migrant workers (most of whom are from South Asia), usually along Oman's northern coast between Muscat and the city of Sohar. Most migrants travel overland from Pakistan to Iran, where they board boats to cross the Gulf of Oman; more Somalis are reportedly attempting to enter Oman via Yemen.

Thanks for a Valued Partner and Friend

¶20. (C) During your visit to Oman, Mr. Deputy Secretary, we should acknowledge and thank the Sultan for the strong support the Sultanate has provided the U.S. throughout the President's term in office. The use of Omani military facilities by U.S. forces was invaluable in both OEF and OIF, for example, while Oman remains a close partner in the global war on terror. As the Sultan approves all major decisions in the country, he is personally responsible for this support and, despite some differences of opinion, remains a loyal U.S. friend.
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